

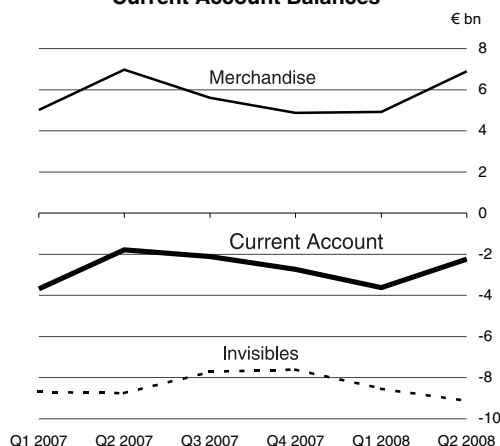


**Central Statistics Office**  
An Phríomh-Oifig Staidrimh

25 September 2008

## Balance of International Payments Quarter 2 2008

**Current Account Balances**



€ million

	Merchandise Balance	Invisibles Balance	Current Account Balance
<b>Q2 2008</b>	6,893	-9,134	-2,241
<b>Q2 2007</b>	6,966	-8,750	-1,785
<b>Q1-Q2 2008</b>	11,815	-17,679	-5,863
<b>Q1-Q2 2007</b>	11,979	-17,439	-5,461

### Current account deficit of €2.24bn in 2nd Quarter

While the Balance of Payments current account deficit of €2,241m in the 2nd quarter of 2008 was lower than that of €3,622m in the first quarter, it was €456m higher than the 2nd quarter 2007 deficit (€1,785m) - *see Table 1*. The overall deficit for the first half of the year amounted to €5,863m, up €400m on that for the same period in 2007. Compared to the first quarter this year, the *merchandise* surplus increased by almost €2 billion to €6,893m in the latest quarter and was €73m lower than that shown one year earlier (€6,966m). The latest deficit balance for *invisibles* trade of €9,134m was almost €400m higher than one year ago, largely due to increased deficits on services (€794m), income (€7,779m) and current transfers (€561m). Other points of note in the latest figures are:

#### Current account (*see Tables 1a and 2a*)

- ◆ Compared to 2nd quarter 2007, *Merchandise* exports at €20,918m were over €800m lower while imports were down €740m, continuing their downward trend.
- ◆ While the *services* deficit at €794m was €144m higher than for the 2nd quarter of 2007 it was significantly reduced compared to the 1st quarter this year (€1,498m). This reflected a resumption of the strong upward trend in exports i.e. €17,109m compared to €15,902m in the previous quarter and €830m higher than one year earlier. *Computer services* (€6,035m) and *trade related services* (€2,616m) mostly contributed to this increase. Compared to one year ago, service imports rose by almost €1 billion to €17,903m, mainly due to increased payments for *royalties/licences* (€4,493m) and *trade related services* (€3,436m).
- ◆ Net outflows of *income* at €7,779m were over €100m higher than the figure one year earlier. Receipts from Irish investment abroad at €21,645m were €256m higher while outflows of income to foreign investors increased by €407m to €29,283m. Within the latter figure, profit outflows of foreign-owned enterprises in Ireland at €9,313m were over €500m lower while portfolio investment income on debt outflows at €6,327m were over €800m higher.

#### Financial account (*see Table 2b*)

Outward *direct investment* amounted to €1,614m. On the inward side, increased *reinvested earnings* (€6,312m) of foreign-owned enterprises in Ireland were more than offset by equity withdrawal (€1,088m) combined with net outflows of inter-affiliate loans of €7,517m. Portfolio and other investment transactions showed significant fluctuations reflecting on-going volatility in the financial markets. The CSO is investigating potential causes for the continuing high negative values for *net errors and omissions*, including the possible impact of the international market volatility referred to on reporting of their financial transactions by survey respondents.

For more information contact John Fitzpatrick at 01 4984366, Stephen Treacy at 01 4984076 or Stephen McDonagh at 01 4984364

Published by the Central Statistics Office, Ireland.

Ardee Road Skehard Road  
Dublin 6 Cork  
Ireland Ireland

LoCall: 1890 313 414 (ROI)  
0870 8760256 (UK/Nl)

Tel: +353 1 498 4000 Tel: +353 21 453 5000  
Fax: +353 1 498 4020 Fax: +353 21 453 5555

Both offices may be contacted through any of these telephone numbers.

CSO on the Web: [www.cso.ie](http://www.cso.ie)  
and go to  
Economy: Balance of Payments

Director General: Gerard O'Hanlon

Enquiries:

BOP Statistics BOP Section, 01-498 4055  
bop@cso.ie  
Queries and Sales Information Section, ext 5021  
information@cso.ie

© Central Statistics Office  
The contents of this release may be quoted provided the source is given clearly and accurately. Reproduction for own or internal use is permitted.

Ref 181/2008

ISSN 0791-3370

Table 1a – Summary of Current and Capital Account Balances

€ million

Period		Merchandise <sup>1</sup>	Invisibles				Balance on Current Account	Balance on Capital Account
			Services	Income	Current Transfers	Total		
1998	Year	17,510	-8,820	-9,382	1,319	-16,883	627	840
1999	Year	22,170	-10,176	-12,945	1,177	-21,944	226	560
2000	Year	27,266	-13,889	-14,750	994	-27,645	-379	1,182
2001	Year	30,494	-13,259	-18,295	305	-31,249	-757	703
2002	Year	35,442	-13,779	-23,664	707	-36,736	-1,295	512
2003	Year	32,604	-11,091	-21,947	432	-32,606	-2	93
2004	Year	31,423	-10,203	-22,481	393	-32,291	-867	279
2005	Year	28,218	-9,303	-24,870	265	-33,908	-5,690	264
2006	Year	25,031	-6,797	-24,033	-506	-31,336	-6,304	223
2007	Year	22,459	-2,869	-28,608	-1,283	-32,760	-10,302	62
1998	Quarter 1	3,823	-2,184	-2,071	259	-3,996	-173	91
	Quarter 2	4,130	-1,845	-2,418	404	-3,859	271	39
	Quarter 3	4,883	-1,908	-2,698	235	-4,371	512	336
	Quarter 4	4,675	-2,882	-2,195	422	-4,655	20	374
1999	Quarter 1	4,915	-2,548	-2,581	277	-4,852	63	133
	Quarter 2	5,131	-2,492	-2,987	342	-5,137	-6	40
	Quarter 3	6,114	-2,516	-3,792	163	-6,145	-31	4
	Quarter 4	6,010	-2,621	-3,585	395	-5,811	199	383
2000	Quarter 1	5,457	-2,887	-3,326	324	-5,889	-432	300
	Quarter 2	6,447	-3,188	-3,007	253	-5,942	505	192
	Quarter 3	7,351	-3,406	-4,091	-92	-7,589	-238	-12
	Quarter 4	8,011	-4,408	-4,326	509	-8,225	-214	702
2001	Quarter 1	6,771	-3,413	-3,929	64	-7,278	-508	300
	Quarter 2	8,089	-3,354	-4,748	-13	-8,115	-26	76
	Quarter 3	8,085	-3,085	-4,816	-57	-7,958	126	9
	Quarter 4	7,549	-3,407	-4,802	311	-7,898	-349	318
2002	Quarter 1	8,977	-3,845	-5,837	-36	-9,718	-741	-14
	Quarter 2	8,598	-3,683	-6,290	131	-9,842	-1,244	2
	Quarter 3	9,265	-3,493	-5,529	-68	-9,090	174	9
	Quarter 4	8,602	-2,758	-6,008	680	-8,086	516	515
2003	Quarter 1	7,622	-2,472	-5,815	-89	-8,376	-753	0
	Quarter 2	8,421	-2,747	-5,634	48	-8,333	88	-38
	Quarter 3	8,338	-3,084	-5,061	-89	-8,234	103	-192
	Quarter 4	8,223	-2,788	-5,437	562	-7,663	560	323
2004	Quarter 1	8,143	-2,588	-5,601	-61	-8,250	-107	-22
	Quarter 2	8,142	-2,488	-5,867	64	-8,291	-149	-57
	Quarter 3	7,763	-2,700	-5,409	-13	-8,122	-359	19
	Quarter 4	7,375	-2,427	-5,604	403	-7,628	-252	339
2005	Quarter 1	6,422	-1,974	-6,172	-285	-8,431	-2,009	80
	Quarter 2	7,425	-1,799	-7,064	187	-8,676	-1,250	-21
	Quarter 3	7,339	-2,522	-5,771	-261	-8,554	-1,215	16
	Quarter 4	7,032	-3,008	-5,863	624	-8,247	-1,216	189
2006	Quarter 1	5,752	-1,448	-6,142	-464	-8,054	-2,302	78
	Quarter 2	6,898	-2,069	-5,914	-352	-8,335	-1,437	8
	Quarter 3	6,984	-1,124	-6,724	-363	-8,211	-1,227	-9
	Quarter 4	5,397	-2,156	-5,253	673	-6,736	-1,338	146
2007	Quarter 1	5,013	-424	-7,526	-739	-8,689	-3,676	54
	Quarter 2	6,966	-650	-7,661	-439	-8,750	-1,785	2
	Quarter 3	5,602	-500	-6,596	-619	-7,715	-2,113	-5
	Quarter 4	4,878	-1,295	-6,825	514	-7,606	-2,728	11
2008	Quarter 1	4,922	-1,498	-6,311	-736	-8,545	-3,622	-26
	Quarter 2	6,893	-794	-7,779	-561	-9,134	-2,241	50

<sup>1</sup> Adjusted for balance of payment purposes

**Table 1b – Summary of Financial Account Balances and Net Errors and Omissions** € million

Period		Direct Investment	Portfolio Investment	Other <sup>1</sup> Investment	Reserve Assets	Balance on Financial Account	Net errors and omissions
1998	Year	4,422	-8,466	7,459	-2,280	<b>1,135</b>	-2,602
1999	Year	11,359	-14,342	-974	1,746	<b>-2,211</b>	1,425
2000	Year	22,957	-5,358	-9,037	-142	<b>8,420</b>	-9,223
2001	Year	6,241	-25,158	19,039	-441	<b>-319</b>	372
2002	Year	19,444	-37,979	19,263	343	<b>1,070</b>	-287
2003	Year	15,270	-39,977	21,567	1,770	<b>-1,372</b>	1,280
2004	Year	-23,095	14,287	11,430	1,177	<b>3,801</b>	-3,212
2005	Year	-36,992	52,698	-17,665	1,472	<b>-487</b>	5,912
2006	Year	-16,634	8,135	13,182	87	<b>4,770</b>	1,311
2007	Year	7,173	-2,610	9,283	-12	<b>13,834</b>	-3,594
1998	Quarter 1	1,497	-1,255	1,939	-165	<b>2,016</b>	-1,935
	Quarter 2	1,965	-1,301	106	-1,011	<b>-241</b>	-67
	Quarter 3	2,393	-5,411	4,245	-333	<b>894</b>	-1,741
	Quarter 4	-1,433	-498	1,169	-771	<b>-1,533</b>	1,140
1999	Quarter 1	4,215	-4,805	884	1,887	<b>2,181</b>	-2,377
	Quarter 2	2,019	-5,227	-1,734	-93	<b>-5,035</b>	5,001
	Quarter 3	3,789	-4,390	-12	13	<b>-600</b>	627
	Quarter 4	1,336	79	-112	-61	<b>1,242</b>	-1,824
2000	Quarter 1	2,317	-5,222	3,728	39	<b>862</b>	-730
	Quarter 2	6,184	4,761	-7,128	-55	<b>3,762</b>	-4,459
	Quarter 3	6,819	-5,814	2,652	-38	<b>3,619</b>	-3,369
	Quarter 4	7,636	917	-8,289	-88	<b>176</b>	-664
2001	Quarter 1	-403	1,851	-3,318	-67	<b>-1,937</b>	2,145
	Quarter 2	4,368	-6,594	3,774	-199	<b>1,349</b>	-1,399
	Quarter 3	1,960	-11,644	11,067	-45	<b>1,338</b>	-1,474
	Quarter 4	316	-8,771	7,516	-130	<b>-1,069</b>	1,100
2002	Quarter 1	6,205	-13,891	9,680	265	<b>2,258</b>	-1,503
	Quarter 2	1,379	941	-2,345	236	<b>211</b>	1,032
	Quarter 3	8,473	-11,496	4,692	-130	<b>1,539</b>	-1,723
	Quarter 4	3,387	-13,533	7,236	-28	<b>-2,938</b>	1,907
2003	Quarter 1	4,065	-8,773	3,197	1,818	<b>308</b>	445
	Quarter 2	11,407	-10,431	-1,876	-43	<b>-943</b>	893
	Quarter 3	3,830	-23,201	18,913	-84	<b>-544</b>	633
	Quarter 4	-4,032	2,428	1,333	79	<b>-193</b>	-691
2004	Quarter 1	-8,076	10,665	-5,684	1,189	<b>-1,905</b>	2,035
	Quarter 2	-4,869	9,346	-4,281	135	<b>331</b>	-125
	Quarter 3	158	-4,805	7,694	-129	<b>2,918</b>	-2,578
	Quarter 4	-10,308	-919	13,701	-18	<b>2,457</b>	-2,544
2005	Quarter 1	964	4,080	-7,896	48	<b>-2,804</b>	4,733
	Quarter 2	-7,066	-428	10,874	69	<b>3,449</b>	-2,178
	Quarter 3	-15,732	25,927	-11,672	10	<b>-1,467</b>	2,665
	Quarter 4	-15,158	23,119	-8,971	1,345	<b>335</b>	692
2006	Quarter 1	-4,454	-15,069	17,720	83	<b>-1,720</b>	3,944
	Quarter 2	-9,630	-5,782	16,549	-110	<b>1,027</b>	402
	Quarter 3	5,333	2,601	-6,656	68	<b>1,346</b>	-110
	Quarter 4	-7,883	26,385	-14,431	46	<b>4,117</b>	-2,925
2007	Quarter 1	3,425	57	-331	-47	<b>3,104</b>	518
	Quarter 2	-1,866	-17,916	17,969	9	<b>-1,804</b>	3,587
	Quarter 3	-575	24,751	-18,713	-38	<b>5,425</b>	-3,307
	Quarter 4	6,189	-9,502	10,358	64	<b>7,109</b>	-4,392
2008	Quarter 1	-296	28,493	-22,277	74	<b>5,995</b>	-2,346
	Quarter 2	-3,907	-2,835	15,393	-46	<b>8,605</b>	-6,414

<sup>1</sup> Including financial derivatives and trade credits

Table 2a – Current and Capital Accounts

€ million

Item		2006	2007	2007				2008	
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2
Current Account									
Merchandise <sup>1</sup>	Cr	83,235	84,300	21,268	21,731	19,913	21,388	20,275	20,918
	Db	58,203	61,840	16,254	14,765	14,311	16,510	15,353	14,025
Services	Cr	57,069	65,650	15,265	16,279	16,771	17,335	15,902	17,109
	Db	63,867	68,519	15,689	16,929	17,271	18,630	17,400	17,903
Transport	Cr	2,334	2,566	514	684	831	537	497	680
	Db	2,027	2,048	542	492	477	537	507	466
Tourism and Travel <sup>2</sup>	Cr	4,258	4,426	741	1,150	1,604	931	754	1,171
	Db	5,446	6,389	1,194	1,564	2,195	1,436	1,548	1,652
Communications	Cr	432	485	106	128	133	118	110	116
	Db	772	833	205	201	199	228	212	220
Insurance	Cr	8,738	8,707	2,346	2,157	2,053	2,151	1,972	2,007
	Db	7,239	7,056	1,736	1,771	1,759	1,790	1,519	1,534
Financial services	Cr	6,214	7,413	1,766	1,813	1,952	1,882	1,801	1,746
	Db	3,906	4,685	1,068	1,229	1,218	1,170	1,075	1,171
Computer services <sup>3</sup>	Cr	18,298	21,578	5,147	5,533	5,039	5,859	5,739	6,035
	Db	562	588	127	134	164	163	164	159
Royalties/Licences	Cr	737	860	202	204	250	204	213	190
	Db	17,534	17,254	4,081	3,924	4,258	4,991	5,015	4,493
Business services	Cr	15,399	18,904	4,265	4,434	4,732	5,473	4,639	4,985
	Db	26,203	29,492	6,691	7,570	6,958	8,273	7,317	8,166
Trade related	Cr	5,814	9,374	1,802	2,085	2,437	3,050	2,308	2,616
	Db	8,391	10,842	2,236	2,926	2,721	2,959	2,823	3,436
Operational leasing	Cr	5,439	5,189	1,311	1,312	1,291	1,275	1,237	1,179
	Db	851	1,143	277	284	290	292	293	307
Misc. business services <sup>4</sup>	Cr	4,145	4,342	1,152	1,038	1,004	1,148	1,093	1,190
	Db	16,961	17,505	4,178	4,359	3,947	5,021	4,200	4,422
Other services n.e.s.	Cr	661	710	177	177	177	179	178	179
	Db	176	174	44	45	42	43	42	42

Table 2a – Current and Capital Accounts - continued

€ million

Item		2006	2007	2007				2008	
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2
Current Account - continued									
Income	Cr	66,084	82,958	19,244	21,487	21,017	21,210	20,337	21,748
	Db	90,117	111,566	26,770	29,149	27,613	28,034	26,648	29,527
Compensation of Employees	Cr	414	413	98	98	119	98	101	103
	Db	1,017	1,144	248	272	361	263	244	244
Investment Income	Cr	65,671	82,543	19,145	21,389	20,898	21,111	20,235	21,645
	Db	89,100	110,422	26,522	28,876	27,252	27,772	26,404	29,283
Direct investment income	Cr	8,665	9,768	2,151	2,282	2,557	2,778	2,248	2,375
	Db	31,390	37,383	9,654	10,325	8,302	9,102	8,420	9,677
Income on equity	Cr	4,342	4,814	975	1,042	1,353	1,444	999	937
	Db	29,396	35,473	9,146	9,817	7,879	8,631	7,886	9,313
Dividends & distributed									
branch profits	Cr	515	75	*	*	11	22	31	*
	Db	19,920	17,524	3,180	4,026	4,342	5,976	2,478	3,001
Reinvested earnings	Cr	3,827	4,738	*	*	1,342	1,421	968	*
	Db	9,475	17,950	5,966	5,792	3,537	2,655	5,408	6,312
Income on debt	Cr	4,322	4,954	1,176	1,240	1,204	1,334	1,248	1,438
	Db	1,994	1,909	508	507	423	471	534	365
Portfolio investment income	Cr	33,366	40,348	9,155	10,993	10,037	10,163	9,684	11,254
	Db	33,380	42,020	9,644	10,993	10,680	10,703	10,495	11,909
Income on equity	Cr	6,242	6,401	1,265	2,412	1,397	1,327	1,254	2,614
	Db	17,048	20,335	4,594	5,494	5,316	4,931	4,596	5,582
Income on debt	Cr	27,124	33,947	7,890	8,581	8,640	8,836	8,431	8,640
	Db	16,332	21,685	5,050	5,499	5,364	5,772	5,899	6,327
Other investment income	Cr	23,641	32,428	7,839	8,114	8,305	8,170	8,303	8,017
	Db	24,328	31,019	7,224	7,559	8,270	7,966	7,489	7,697
Current Transfers	Cr	5,260	4,510	991	827	753	1,939	1,102	1,040
	Db	5,764	5,793	1,729	1,267	1,372	1,425	1,838	1,602
Current Account - Total	Cr	211,647	237,417	56,767	60,324	58,454	61,872	57,616	60,816
	Db	217,952	247,717	60,442	62,110	60,566	64,599	61,238	63,057
Current Account Balance		-6,304	-10,302	-3,676	-1,785	-2,113	-2,728	-3,622	-2,241
Capital Account Balance		223	62	54	2	-5	11	-26	50

<sup>1</sup> Adjusted for balance of payments purposes<sup>2</sup> Excluding passenger fare receipts<sup>3</sup> Covers exports and imports of software that was not incorporated as part of computer hardware or physical media but separately transmitted by electronic means. The value of sales and purchases of additional software licences is also included<sup>4</sup> Covers mainly advertising, research and development and inter-affiliate management charges

\* Suppressed for confidentiality reasons

Table 2b – Financial Account<sup>1</sup>

€ million

Item		2006	2007	2007				2008	
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2
<b>Direct Investment</b>	<b>Abroad</b>	<b>-12,215</b>	<b>-15,178</b>	<b>-7,241</b>	<b>-2,077</b>	<b>-7,092</b>	<b>1,232</b>	<b>-886</b>	<b>-1,614</b>
	<b>In Ireland</b>	<b>-4,418</b>	<b>22,351</b>	<b>10,666</b>	<b>211</b>	<b>6,517</b>	<b>4,957</b>	<b>590</b>	<b>-2,293</b>
Equity	Abroad	-11,440	-5,633	*	*	-4,815	3,327	560	*
	In Ireland	-4,242	-1,856	1,616	-2,285	1,577	-2,764	-349	-1,088
Reinvested Earnings	Abroad	-3,827	-4,738	*	*	-1,342	-1,421	-968	*
	In Ireland	9,475	17,950	5,966	5,792	3,537	2,655	5,408	6,312
Other Capital	Abroad	3,055	-4,806	-3,285	88	-935	-674	-478	-418
	In Ireland	-9,651	6,258	3,084	-3,296	1,404	5,066	-4,469	-7,517
<b>Portfolio Investment</b>	<b>Assets</b>	<b>-213,418</b>	<b>-164,288</b>	<b>-59,042</b>	<b>-55,945</b>	<b>-7,884</b>	<b>-41,417</b>	<b>-36,386</b>	<b>-36,880</b>
	<b>Liabilities</b>	<b>221,553</b>	<b>161,677</b>	<b>59,099</b>	<b>38,029</b>	<b>32,635</b>	<b>31,914</b>	<b>64,879</b>	<b>34,045</b>
Equity	Assets	-59,647	-14,295	-8,744	-4,545	-3,710	2,704	3,988	-4,893
	Liabilities	128,215	98,951	34,114	23,998	15,458	25,381	42,034	17,824
Debt Instruments	Assets	-153,771	-149,992	-50,298	-51,400	-4,174	-44,120	-40,374	-31,987
	Liabilities	93,338	62,726	24,985	14,030	17,177	6,534	22,845	16,222
Bonds and notes	Assets	-87,541	-85,417	-22,197	-29,795	-5,745	-27,680	-3,236	-34,932
	Liabilities	86,644	51,253	21,534	13,103	11,082	5,534	16,774	18,741
Money market instruments	Assets	-66,231	-64,574	-28,100	-21,605	1,572	-16,441	-37,138	2,945
	Liabilities	6,693	11,474	3,451	928	6,096	999	6,070	-2,519

Table 2b – Financial Account<sup>1</sup> - continued

€ million

Item		2006	2007	2007				2008	
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2
<b>Other Investment</b>	<b>Assets</b>	<b>-118,968</b>	<b>-161,363</b>	<b>-33,703</b>	<b>-42,693</b>	<b>-52,111</b>	<b>-32,856</b>	<b>-69,201</b>	<b>-6,036</b>
	<b>Liabilities</b>	<b>132,149</b>	<b>170,646</b>	<b>33,372</b>	<b>60,662</b>	<b>33,398</b>	<b>43,214</b>	<b>46,925</b>	<b>21,429</b>
Loans, currency and deposits	Assets	-110,839	-145,820	-32,186	-42,000	-47,792	-23,842	-61,964	-2,216
	Liabilities	106,972	157,373	28,525	56,786	28,764	43,298	44,253	22,021
Other <sup>2</sup>	Assets	-8,128	-15,543	-1,518	-692	-4,320	-9,013	-7,237	-3,820
	Liabilities	25,178	13,274	4,848	3,876	4,634	-84	2,672	-592
<b>Reserve Assets</b>		<b>87</b>	<b>-12</b>	<b>-47</b>	<b>9</b>	<b>-38</b>	<b>64</b>	<b>74</b>	<b>-46</b>
Monetary gold		0	4	0	4	0	0	1	0
Special drawing rights		-3	-8	-1	0	-3	-4	9	0
Reserve position in the IMF		41	48	33	-2	-7	24	12	-20
Foreign exchange		49	-56	-79	7	-28	44	52	-26
Other		0	0	0	0	0	0	0	0
<b>Balance on Financial Account</b>		<b>4,770</b>	<b>13,834</b>	<b>3,104</b>	<b>-1,804</b>	<b>5,425</b>	<b>7,109</b>	<b>5,995</b>	<b>8,605</b>
<i>Net errors and omissions</i>		<i>1,311</i>	<i>-3,594</i>	<i>518</i>	<i>3,587</i>	<i>-3,307</i>	<i>-4,392</i>	<i>-2,346</i>	<i>-6,414</i>
<b>Memorandum Item:</b>									
Government financial transactions	Assets	-1,943	-1,478	-730	-1,976	697	531	-1,225	852
	Liabilities	318	3,003	430	1,415	7,927	-6,769	3,950	8,964

<sup>1</sup> Financial account transactions are categorised under two headings 'Assets' and 'Liabilities' for *Portfolio Investment*, *Other Investment* and *Reserve Assets*. For *Direct Investment*, a 'directional' categorisation is used: 'Abroad' indicates direct investment by Irish investors in foreign companies; direct investment into Ireland is indicated by the heading 'In Ireland'. The sign convention used is: a minus sign in the 'Abroad' and 'Assets' columns means investments or acquisitions abroad (in enterprises, foreign securities, foreign deposits, etc.) by Irish investors exceeded their disinvestments or disposals in the period, while an entry without sign (less usual) means disinvestment exceeded investment; an entry without sign in the 'In Ireland' and 'Liabilities' columns means that investment transactions into Ireland or incurrences of liabilities to foreign investors exceeded disinvestment or extinctions of liabilities in the period, while a minus sign (less usual) indicates that disinvestment exceeded investment and liability extinctions exceeded incurrences

<sup>2</sup> Including financial derivatives and trade credits

\* Suppressed for confidentiality reasons

**Table 3 – Current, Capital and Financial Accounts showing IFSC<sup>1</sup> and non-IFSC activity** € million

Item		2006	2007	2007				2008	
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2
<b>Current Account - Total</b>	<b>Cr</b>	<b>211,647</b>	<b>237,417</b>	<b>56,767</b>	<b>60,324</b>	<b>58,454</b>	<b>61,872</b>	<b>57,616</b>	<b>60,816</b>
	<b>Db</b>	<b>217,952</b>	<b>247,717</b>	<b>60,442</b>	<b>62,110</b>	<b>60,566</b>	<b>64,599</b>	<b>61,238</b>	<b>63,057</b>
<b>Merchandise <sup>2</sup></b>	<b>Cr</b>	<b>83,235</b>	<b>84,300</b>	<b>21,268</b>	<b>21,731</b>	<b>19,913</b>	<b>21,388</b>	<b>20,275</b>	<b>20,918</b>
	<b>Db</b>	<b>58,203</b>	<b>61,840</b>	<b>16,254</b>	<b>14,765</b>	<b>14,311</b>	<b>16,510</b>	<b>15,353</b>	<b>14,025</b>
<b>Services</b>	<b>Cr</b>	<b>57,069</b>	<b>65,650</b>	<b>15,265</b>	<b>16,279</b>	<b>16,771</b>	<b>17,335</b>	<b>15,902</b>	<b>17,109</b>
	<b>Db</b>	<b>63,867</b>	<b>68,519</b>	<b>15,689</b>	<b>16,929</b>	<b>17,271</b>	<b>18,630</b>	<b>17,400</b>	<b>17,903</b>
- IFSC	Cr	20,163	21,148	5,366	5,222	5,188	5,372	5,037	5,025
	Db	12,649	13,206	3,183	3,295	3,346	3,382	2,953	3,227
- non IFSC	Cr	36,906	44,500	9,898	11,057	11,582	11,963	10,865	12,084
	Db	51,217	55,313	12,506	13,634	13,925	15,248	14,447	14,676
<b>Income</b>	<b>Cr</b>	<b>66,084</b>	<b>82,958</b>	<b>19,244</b>	<b>21,487</b>	<b>21,017</b>	<b>21,210</b>	<b>20,337</b>	<b>21,748</b>
	<b>Db</b>	<b>90,117</b>	<b>111,566</b>	<b>26,770</b>	<b>29,149</b>	<b>27,613</b>	<b>28,034</b>	<b>26,648</b>	<b>29,527</b>
- IFSC	Cr	52,809	70,259	15,788	18,493	17,906	18,072	17,697	18,790
	Db	52,697	70,984	15,607	18,921	18,434	18,022	17,422	18,725
- non IFSC	Cr	13,277	12,699	3,456	2,994	3,111	3,138	2,640	2,958
	Db	37,420	40,581	11,163	10,227	9,179	10,012	9,226	10,802
<b>Current Transfers</b>	<b>Cr</b>	<b>5,260</b>	<b>4,510</b>	<b>991</b>	<b>827</b>	<b>753</b>	<b>1,939</b>	<b>1,102</b>	<b>1,040</b>
	<b>Db</b>	<b>5,764</b>	<b>5,793</b>	<b>1,729</b>	<b>1,267</b>	<b>1,372</b>	<b>1,425</b>	<b>1,838</b>	<b>1,602</b>
- IFSC <sup>3</sup>	Cr	2,788	2,417	747	616	561	493	718	826
	Db	2,788	2,417	747	616	561	493	718	826
- non IFSC	Cr	2,472	2,094	244	211	193	1,446	384	214
	Db	2,977	3,376	982	651	811	932	1,120	776
<b>Balance on Current Account</b>		<b>-6,304</b>	<b>-10,302</b>	<b>-3,676</b>	<b>-1,785</b>	<b>-2,113</b>	<b>-2,728</b>	<b>-3,622</b>	<b>-2,241</b>
<b>Balance on Capital Account</b>		<b>223</b>	<b>62</b>	<b>54</b>	<b>2</b>	<b>-5</b>	<b>11</b>	<b>-26</b>	<b>50</b>



**Table 3 – Current, Capital and Financial Accounts showing IFSC<sup>1</sup> and non-IFSC activity** - continued € million

Item		2006	2007	2007				2008	
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2
Financial Account <sup>4</sup>									
Direct investment	Abroad	-12,215	-15,178	-7,241	-2,077	-7,092	1,232	-886	-1,614
	In Ireland	-4,418	22,351	10,666	211	6,517	4,957	590	-2,293
- IFSC	Abroad	-7,134	875	333	120	-4,041	4,463	951	-256
	In Ireland	5,068	5,088	5,672	-5,410	2,986	1,840	-2,619	-4,777
- non IFSC	Abroad	-5,080	-16,052	-7,573	-2,197	-3,051	-3,231	-1,837	-1,358
	In Ireland	-9,487	17,262	4,993	5,621	3,531	3,117	3,209	2,484
Portfolio investment	Assets	-213,418	-164,288	-59,042	-55,945	-7,884	-41,417	-36,386	-36,880
	Liabilities	221,553	161,677	59,099	38,029	32,635	31,914	64,879	34,045
- IFSC	Assets	-187,530	-137,435	-57,168	-46,501	-5,985	-27,781	-49,426	-29,884
	Liabilities	194,519	138,367	48,408	28,951	20,540	40,468	62,224	28,478
- non IFSC	Assets	-25,888	-26,853	-1,874	-9,444	-1,899	-13,636	13,040	-6,996
	Liabilities	27,034	23,309	10,691	9,078	12,094	-8,554	2,655	5,567
Other investment <sup>5</sup>	Assets	-118,968	-161,363	-33,703	-42,693	-52,111	-32,856	-69,201	-6,036
	Liabilities	132,149	170,646	33,372	60,662	33,398	43,214	46,925	21,429
- IFSC	Assets	-97,061	-128,754	-27,301	-32,456	-54,337	-14,660	-44,696	-13,980
	Liabilities	105,052	134,419	28,801	52,846	44,431	8,341	23,745	9,393
- non IFSC	Assets	-21,908	-32,609	-6,402	-10,237	2,226	-18,196	-24,505	7,944
	Liabilities	27,098	36,226	4,571	7,816	-11,033	34,872	23,179	12,036
Reserve Assets		87	-12	-47	9	-38	64	74	-46
Balance on Financial Account		4,770	13,834	3,104	-1,804	5,425	7,109	5,995	8,605
Net errors and omissions		1,311	-3,594	518	3,587	-3,307	-4,392	-2,346	-6,414

<sup>1</sup> From the start of 2000 new international financial service projects are no longer subject to the earlier certification and licensing procedures in operation for location in the IFSC and such projects can, therefore, locate anywhere in Ireland. Additions to existing IFSC projects, however, are still subject to the formal procedures. For statistical analysis purposes this table still shows the 'IFSC/non-IFSC' breakdown and the activities of all international financial service enterprises are covered under the IFSC heading

<sup>2</sup> Adjusted for balance of payments purposes

<sup>3</sup> Current transfers to and from IFSC enterprises relate solely to non-life insurance transactions (see Background Notes)

<sup>4</sup> See footnote 1 on Table 2b

<sup>5</sup> Including financial derivatives and trade credits

Table 4a – Current and Capital Accounts showing geographical<sup>1</sup> detail

€ million

Item		2006	2007	2007				2008	
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2
<b>Current Account - Total</b>	<b>Cr</b>	<b>211,647</b>	<b>237,417</b>	<b>56,767</b>	<b>60,324</b>	<b>58,454</b>	<b>61,872</b>	<b>57,616</b>	<b>60,816</b>
	<b>Db</b>	<b>217,952</b>	<b>247,717</b>	<b>60,442</b>	<b>62,110</b>	<b>60,566</b>	<b>64,599</b>	<b>61,238</b>	<b>63,057</b>
<b>Merchandise<sup>2</sup></b>	<b>Cr</b>	<b>83,235</b>	<b>84,300</b>	<b>21,268</b>	<b>21,731</b>	<b>19,913</b>	<b>21,388</b>	<b>20,275</b>	<b>20,918</b>
	<b>Db</b>	<b>58,203</b>	<b>61,840</b>	<b>16,254</b>	<b>14,765</b>	<b>14,311</b>	<b>16,510</b>	<b>15,353</b>	<b>14,025</b>
- EMU	Cr	37,230	36,390	9,505	9,025	8,248	9,612	8,862	8,796
	Db	15,137	18,046	4,763	4,430	4,046	4,807	4,557	4,166
- non EMU	Cr	46,005	47,910	11,763	12,706	11,665	11,776	11,413	12,121
	Db	43,067	43,795	11,492	10,335	10,265	11,703	10,796	9,860
- EU	Cr	55,946	56,091	14,185	13,977	13,088	14,841	13,405	13,713
	Db	39,088	43,131	11,028	10,429	10,115	11,559	10,674	10,256
- non EU	Cr	27,288	28,209	7,083	7,754	6,825	6,547	6,870	7,205
	Db	19,117	18,709	5,226	4,336	4,196	4,951	4,679	3,769
<b>Services</b>	<b>Cr</b>	<b>57,069</b>	<b>65,650</b>	<b>15,265</b>	<b>16,279</b>	<b>16,771</b>	<b>17,335</b>	<b>15,902</b>	<b>17,109</b>
	<b>Db</b>	<b>63,867</b>	<b>68,519</b>	<b>15,689</b>	<b>16,929</b>	<b>17,271</b>	<b>18,630</b>	<b>17,400</b>	<b>17,903</b>
- EMU	Cr	19,426	23,084	5,652	5,895	5,643	5,894	5,756	6,074
	Db	20,498	18,525	4,124	4,279	5,019	5,103	4,835	5,777
- non EMU	Cr	37,644	42,565	9,612	10,384	11,128	11,441	10,146	11,035
	Db	43,369	49,994	11,565	12,650	12,252	13,527	12,565	12,127
- EU	Cr	35,251	41,273	9,772	10,487	10,602	10,412	10,049	10,751
	Db	31,684	31,689	7,048	7,548	8,296	8,797	8,026	9,010
- non EU	Cr	21,819	24,376	5,492	5,792	6,169	6,923	5,853	6,358
	Db	32,182	36,829	8,641	9,381	8,974	9,833	9,374	8,893

Table 4a – Current and Capital Accounts showing geographical<sup>1</sup> detail - continued

€ million

Item		2006	2007	2007				2008	
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2
<b>Income</b>	<b>Cr</b>	<b>66,084</b>	<b>82,958</b>	<b>19,244</b>	<b>21,487</b>	<b>21,017</b>	<b>21,210</b>	<b>20,337</b>	<b>21,748</b>
	<b>Db</b>	<b>90,117</b>	<b>111,566</b>	<b>26,770</b>	<b>29,149</b>	<b>27,613</b>	<b>28,034</b>	<b>26,648</b>	<b>29,527</b>
- EMU	Cr	23,369	26,848	6,457	7,299	6,591	6,501	7,076	7,989
	Db	28,020	34,000	8,562	8,658	7,905	8,875	8,027	9,415
- non EMU	Cr	42,716	56,109	12,786	14,188	14,426	14,709	13,260	13,760
	Db	62,098	77,565	18,208	20,491	19,707	19,159	18,621	20,112
- EU	Cr	40,072	47,214	11,248	12,490	11,597	11,879	12,185	13,409
	Db	53,780	64,211	15,804	16,354	15,644	16,409	15,448	17,705
- non EU	Cr	26,013	35,744	7,996	8,997	9,420	9,331	8,152	8,339
	Db	36,337	47,354	10,966	12,795	11,968	11,625	11,199	11,822
<b>Current Transfers</b>	<b>Cr</b>	<b>5,260</b>	<b>4,510</b>	<b>991</b>	<b>827</b>	<b>753</b>	<b>1,939</b>	<b>1,102</b>	<b>1,040</b>
	<b>Db</b>	<b>5,764</b>	<b>5,793</b>	<b>1,729</b>	<b>1,267</b>	<b>1,372</b>	<b>1,425</b>	<b>1,838</b>	<b>1,602</b>
- EMU	Cr	622	928	195	235	327	171	175	259
	Db	614	921	193	233	327	168	173	261
- non EMU	Cr	4,637	3,583	795	593	427	1,768	928	782
	Db	5,151	4,873	1,536	1,034	1,046	1,257	1,665	1,340
- EU	Cr	3,535	3,659	551	541	799	1,768	713	735
	Db	3,534	4,261	1,070	858	1,280	1,053	1,238	1,156
- non EU	Cr	1,724	852	440	286	-45	171	389	306
	Db	2,232	1,532	659	409	92	372	600	446
<b>Balance on Current Account</b>		<b>-6,304</b>	<b>-10,302</b>	<b>-3,676</b>	<b>-1,785</b>	<b>-2,113</b>	<b>-2,728</b>	<b>-3,622</b>	<b>-2,241</b>
<b>Balance on Capital Account</b>		<b>223</b>	<b>62</b>	<b>54</b>	<b>2</b>	<b>-5</b>	<b>11</b>	<b>-26</b>	<b>50</b>

<sup>1</sup> The term 'EMU' means the area represented by the 15 Member States participating in Monetary Union since the enlargement of the Euro area on 1 January 2008 to include Cyprus and Malta. The term 'EU' relates to transactions between residents of Ireland and other residents of the EU27 area. This area comprises the former EU25 area along with Bulgaria and Romania who joined on 1 January 2007. For comparison purposes data shown for 2006 and 2007 also relate to EMU 15 and EU 27

<sup>2</sup> Adjusted for balance of payments purposes

Table 4b – Financial Account<sup>1</sup> showing geographical<sup>2</sup> detail

€ million

Item		2006	2007	2007				2008	
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2
<b>Direct Investment</b>	<b>Abroad</b>	<b>-12,215</b>	<b>-15,178</b>	<b>-7,241</b>	<b>-2,077</b>	<b>-7,092</b>	<b>1,232</b>	<b>-886</b>	<b>-1,614</b>
	<b>In Ireland</b>	<b>-4,418</b>	<b>22,351</b>	<b>10,666</b>	<b>211</b>	<b>6,517</b>	<b>4,957</b>	<b>590</b>	<b>-2,293</b>
- EMU	Abroad	-2,158	-2,170	-527	-672	-4,513	3,542	254	-129
	In Ireland	-3,072	4,123	3,824	-226	818	-293	3,798	-3,181
- non EMU	Abroad	-10,057	-13,007	-6,713	-1,405	-2,579	-2,310	-1,140	-1,485
	In Ireland	-1,346	18,228	6,841	438	5,699	5,250	-3,208	888
- EU	Abroad	-6,162	-6,621	-2,288	-1,603	-4,915	2,185	-116	-892
	In Ireland	-590	-395	3,642	-791	1,124	-4,370	5,552	-2,318
- non EU	Abroad	-6,053	-8,557	-4,953	-474	-2,177	-953	-770	-723
	In Ireland	-3,829	22,747	7,023	1,003	5,394	9,327	-4,962	26
<b>Portfolio Investment</b>	<b>Assets</b>	<b>-213,418</b>	<b>-164,288</b>	<b>-59,042</b>	<b>-55,945</b>	<b>-7,884</b>	<b>-41,417</b>	<b>-36,386</b>	<b>-36,880</b>
	<b>Liabilities</b>	<b>221,553</b>	<b>161,677</b>	<b>59,099</b>	<b>38,029</b>	<b>32,635</b>	<b>31,914</b>	<b>64,879</b>	<b>34,045</b>
- EMU	Assets	-58,408	-30,155	-11,027	-14,790	-130	-4,208	-2,348	-18,532
	Liabilities	33,702	28,438	12,494	12,552	-3,717	7,109	2,608	7,523
- non EMU	Assets	-155,011	-134,133	-48,015	-41,156	-7,754	-37,208	-34,038	-18,348
	Liabilities	187,850	133,239	46,605	25,476	36,352	24,806	62,271	26,522
- EU	Assets	-98,378	-78,725	-22,084	-30,614	-3,876	-22,151	-15,351	-17,979
	Liabilities	125,379	116,264	43,752	35,401	19,926	17,185	34,365	20,150
- non EU	Assets	-115,041	-85,564	-36,958	-25,332	-4,008	-19,266	-21,035	-18,902
	Liabilities	96,174	45,412	15,347	2,627	12,709	14,729	30,514	13,895

Table 4b – Financial Account<sup>1</sup> showing geographical<sup>2</sup> detail - continued

€ million

Item		2006	2007	2007				2008	
		Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2
<b>Other Investment <sup>3</sup></b>	<b>Assets</b>	<b>-118,968</b>	<b>-161,363</b>	<b>-33,703</b>	<b>-42,693</b>	<b>-52,111</b>	<b>-32,856</b>	<b>-69,201</b>	<b>-6,036</b>
	<b>Liabilities</b>	<b>132,149</b>	<b>170,646</b>	<b>33,372</b>	<b>60,662</b>	<b>33,398</b>	<b>43,214</b>	<b>46,925</b>	<b>21,429</b>
- EMU	Assets	-31,331	-63,605	-13,872	-14,876	-22,948	-11,909	-31,907	-7,178
	Liabilities	39,229	78,889	8,243	31,002	1,942	37,702	10,181	23,972
- non EMU	Assets	-87,637	-97,760	-19,832	-27,817	-29,164	-20,947	-37,295	1,142
	Liabilities	92,921	91,757	25,129	29,660	31,456	5,512	36,744	-2,543
- EU	Assets	-61,130	-112,458	-33,881	-29,216	-36,497	-12,864	-51,455	-8,289
	Liabilities	86,267	100,049	21,231	22,013	5,608	51,197	33,784	24,400
- non EU	Assets	-57,838	-48,907	177	-13,477	-15,615	-19,992	-17,746	2,253
	Liabilities	45,882	70,596	12,141	38,649	27,790	-7,984	13,141	-2,971
<b>Reserve Assets</b>		<b>87</b>	<b>-12</b>	<b>-47</b>	<b>9</b>	<b>-38</b>	<b>64</b>	<b>74</b>	<b>-46</b>
<b>Balance on Financial Account</b>		<b>4,770</b>	<b>13,834</b>	<b>3,104</b>	<b>-1,804</b>	<b>5,425</b>	<b>7,109</b>	<b>5,995</b>	<b>8,605</b>
<i>Net errors and omissions</i>		<i>1,311</i>	<i>-3,594</i>	<i>518</i>	<i>3,587</i>	<i>-3,307</i>	<i>-4,392</i>	<i>-2,346</i>	<i>-6,414</i>

<sup>1</sup> See footnote 1 on Table 2b<sup>2</sup> The term 'EMU' means the area represented by the 15 Member States participating in Monetary Union since the enlargement of the Euro area on 1 January 2008 to include Cyprus and Malta. The term 'EU' relates to transactions between residents of Ireland and other residents of the EU27 area. This area comprises the former EU25 area along with Bulgaria and Romania who joined on 1 January 2007. For comparison purposes data shown for 2006 and 2007 also relate to EMU 15 and EU 27<sup>3</sup> Including financial derivatives and trade credits

## Background Notes *(updated December 2006)*

<b>Introduction</b>	<p>Ireland's balance of payments (BOP) quarterly statistical compilation system was completely overhauled in the late 1990's to strengthen sectoral and enterprise coverage in basic data collection; adopt best international methodological standards; conform more closely with international presentation formats; and provide for geographical analysis of the results. The improvements facilitate the production of data required by the European Central Bank (ECB) and the EU Commission (Eurostat) to compile balance of payments statistics for the EMU and EU areas. The needs of other international organisations (such as IMF and OECD) as well as those of national users have also been catered for.</p> <p>A description of the methodology is given below. It follows as far as possible the recommendations of the IMF's <i>Balance of Payments Manual - 5th Edition</i> (BPM5) published in 1993 and its supplement <i>Financial Derivatives: A Supplement to the 5th Edition (1993) of the Balance of Payments Manual</i> published in 2000. These recommendations were prepared in close co-operation with the European Commission (Eurostat), the OECD and other international organisations.</p>
<b>Definition of balance of payments</b>	<p>The balance of payments (BOP) is a statistical statement that summarises, for a specific time period, the economic transactions of the residents of an economy with the rest of the world.</p>
<b>Residence</b>	<p>BOP transactions occur between residents of Ireland and non-residents. The term 'resident' covers (a) individuals, including foreign nationals, living in Ireland for at least one year as well as Irish embassy staff and military staff located abroad, (b) Irish government enclaves located abroad (embassies, consulates, etc.), and (c) corporate bodies who have a centre of economic interest located here, including branches of foreign-registered companies. It is important to note that transactions in foreign assets and liabilities can occur between residents and should be recorded in the financial account.</p>
<b>Structure of the Balance of Payments accounts</b>	<p>The balance of payments presentation consists of three tables or accounts, the <i>Current Account</i>, the <i>Capital Account</i> and the <i>Financial Account</i>. The current account consists of trade in merchandise and services, income inflows and outflows and current transfers. The capital account covers capital transfers and the acquisition and disposal of non-produced, non-financial assets. The financial account is concerned with transactions in foreign financial assets and liabilities, distinguishing the functional type of investment i.e. direct, portfolio and other investment (including transactions in financial derivatives) and reserve assets.</p>
<b>Valuation</b>	<p>BOP transactions, in principle, should be recorded on an accruals basis using market valuation. In practice, the collection system (see below) is designed to adhere to this approach and, for the most part, the valuations reported are either market values or a close approximation. In certain cases, income (interest) flows on debt securities may be reported on a cash rather than an accruals basis.</p>
<b>Geographical allocation principle</b>	<p>Current and capital account transactions are allocated to the country of residence of the counterpart. Financial account transactions are allocated on the basis of the debtor/creditor principle; assets are geographically assigned to the country of the debtor (i.e. the issuer) of the assets, while liabilities are assigned to the country of the creditor (i.e. the holder). In the case of direct investment, transactions are geographically attributed on the basis of country of location of immediate ownership of the direct investment enterprise rather than that of the ultimate beneficial owner. Therefore, if a US investor directly invests in a direct investment enterprise located in Ireland, the origin of the investment as presented in these statistics is US. If the US investor indirectly invests, through its Cayman Islands subsidiary, in an enterprise located in Ireland then the origin of the investment is Cayman Islands. In both cases, the country of location of the ultimate beneficial owner is US. This may have a significant impact on the geographic analysis of FDI statistics.</p>
<b>Sign convention and symbols</b>	<p>The BOP presentation follows the standard double entry accounting treatment for a transaction i.e. in principle, every credit entry is matched by a corresponding debit entry elsewhere in the system.</p> <p>In the current account, credit items are exports of merchandise and services, income inflows and current transfer receivables while debit items are imports, income outflows and transfer payables. In the capital account, capital transfer receivables are recorded as credits and payables as debits. Both credit (denoted by the symbol 'Cr') and debit (denoted by 'Db') items are shown as positive numbers and the net balances are calculated as <i>credit – debit</i>.</p> <p>The transactions in the financial account are implicitly recorded on a credit/debit basis but are generally presented on an assets/liabilities basis. Increases in foreign assets or reductions in foreign liabilities are shown with a – (minus) sign, i.e. implicitly as a debit amount, while decreases in assets or increases in liabilities are unsigned i.e. shown as positive numbers (i.e. as credits). The net balances are calculated as <i>net change in assets transactions + net change in liabilities transactions</i>. In the case of direct investment, the asset/liability presentation is replaced by the so-called 'directional' one, i.e. <i>direct investment abroad</i> (which approximates to the assets concept) and</p>

*direct investment in Ireland* (which closely equates to liabilities). The difference between the two approaches centres on the treatment of reverse investment by a direct investment enterprise in its parent (direct investor) or its foreign affiliates (see *direct investment* below).

Amounts are shown in millions of Euro; '0' means amounts of less than 500,000 units of currency; '-' means 'not relevant'. Cell entries may not add to totals due to rounding.

#### **Net errors and omissions**

Given the double entry accounting procedure described above, the sum of the credit entries should in principle equal the sum of the debit entries over all three accounts. In practice, because some transactions may not be captured or because of differences in coverage, valuation and timing of transactions, exact symmetry does not occur and a balancing item *net errors and omissions* is inserted to balance the overall account. Ideally, the magnitude of this item should be relatively small in relation to the combined value of all credit and debit transactions expressed in absolute terms (i.e. ignoring their signs) over all three accounts. It should also fluctuate frequently from positive to negative values.

#### **Data collection**

BOP data collection is statutory and surveys or other data collection arrangements are conducted under the Statistics (Balance of Payments and Financial Accounts) Order, 2005 (S.I. No. 124 of 2005) made under the Statistics Act, 1993.

A number of new quarterly surveys were introduced in 1998. These were directed to financial service enterprises not formerly surveyed, in particular to enterprises operating from the International Financial Services Centre (IFSC) in Dublin. Some of the information now being collected directly from these enterprises was formerly implicitly incorporated from other sources in the published results. In addition to the new surveys existing surveys were re-designed.

The financial enterprise surveys cover banking, insurance, asset financing, treasury, institutional investment, activities of mutual funds, unit trusts and similar collective investment operations, broking and other financial service provision. Respondents are required to make quarterly returns using either paper or electronic media. Exhaustive coverage is aimed at but, in order to reduce reporting burden, companies with low activity volumes may, on approval from the CSO, provide annual data. Overall, about 4,500 entities are surveyed.

Manufacturing and non-financial service enterprises have been reporting their BOP transactions to CSO for a number of years. The surveys directed towards these enterprises were re-designed to meet the new conceptual and geographical requirements. Coverage is on a sample selection basis, those surveyed being selected on the basis of statistical register information concerning transactions with non-residents. About 500 companies make quarterly and/or annual returns.

The information collected for all types of enterprises covers transactions with non-residents concerning purchases and sales of services, income flows, transfers, as well as acquisitions and disposals of foreign assets or liabilities.

Apart from survey data, administrative sources also provide information on non-resident transactions (e.g. the National Treasury Management Agency, on flows associated with Ireland's foreign debt and other transactions including those associated with the National Pensions Reserve Fund; the Department of Defence, concerning Ireland's UN military peace-keeping activity; the Department of Foreign Affairs, on expenditure incurred in maintaining Ireland's embassies and consulates abroad; the Central Bank and Financial Services Authority of Ireland, on reserve assets and other assets/liabilities and associated income flows). Information is also obtained from other sources (e.g. charitable organisations, industry bodies). In addition, information on merchandise exports and imports and on tourism expenditure and receipts is obtained from other CSO inquiries.

The compilation system was further developed and refined in 2004 to include the estimated values of a variety of cross-border transactions which, because of the lack of data, were either not captured formerly or not adequately captured. These cover (a) direct imports and exports of goods for consumption of private households and not included in the official merchandise trade statistics; (b) improved data on transactions in services (tourism and travel; communications; construction; diplomatic and consular services; cultural services; bloodstock breeding); (c) new estimates for income receipts from Irish resident investment in residential and commercial property abroad and for income remittances to the foreign owners of breeding bloodstock based in Ireland, along with improved estimates of the earnings (credits and debits) of students, other cross-border workers and local employees of embassies; (d) new estimates for income taxes paid on the earnings of students and other cross-border workers and for the remittances abroad of earnings of immigrant workers in Ireland; and (e) new estimates for investment in residential and commercial property abroad by Irish residents.

#### **Current account**

**Merchandise** exports and imports are valued f.o.b. (*free on board*) for BOP purposes. While imports are valued c.i.f. (*cost, insurance and freight*) in the official external trade statistics, adjustments are made to reflect an estimated f.o.b. valuation (formerly the c.i.f. valuation for imports was used in the BOP). These adjustments result from the application of different c.i.f./f.o.b.



conversion ratios to the values of imports from within the European Union and from outside the European Union. In addition and in line with EU and ECB requirements, merchandise imports from within European Union member states are compiled on the basis of country of consignment rather than country of ultimate origin (as was the case formerly). Some adjustments are also made to the official merchandise trade statistics to conform to the BOP change of ownership and market valuation principles. In addition, certain exports sales of software licences are included in BOP service exports and not in BOP merchandise exports (as was the case formerly). The BOP merchandise figures now include the estimated values of (unrecorded) retail exports of fuel to Northern Ireland and of unrecorded imports of goods for personal consumption from Northern Ireland and elsewhere.

**Services** exports and imports are presented to show nine categories of service types: *transport, tourism and travel, communications, insurance services, financial services, computer services, royalties and licences, business services* and *other services not elsewhere specified*. Some specific points of note are:

- (i) Because of the presentation of merchandise imports on a f.o.b. (rather than c.i.f.) basis, the freight element of the c.i.f. to f.o.b. adjustment is included in *transport*
- (ii) The value of *insurance services* provided to non-residents by resident insurers (credit) is estimated as the value of direct and supplementary premiums earned less the value of claims payable less increases in the actuarial element of insurance technical reserves. Supplementary premiums consist of investment income earned on investing the insurance technical reserves. For BOP purposes, this income is attributed to the policy holders and is also treated as being paid back to the insurance company by them. To obtain the value of insurance services purchased from non-resident insurers (debit), the ratio of the estimated service charge to total premiums for insurance exports is applied to the total premiums payable to non-resident insurers. To date, reinsurance transactions (e.g. premiums and claims) were consolidated (i.e. netted) in the estimates compiled. In this release reinsurance is treated on a gross basis and, hence, insurance service credits and debits have been increased accordingly. This gross recording treatment of reinsurance transactions has no net impact on the insurance service balance as the reinsurance element on the credit and debit sides are offsetting. In relation to merchandise imports, the freight insurance element of the c.i.f. to f.o.b. adjustment referred to above under *merchandise* is recorded under *insurance*.
- (iii) *Financial services* covers non-interest receivables and payables in respect of financial intermediary and auxiliary services (other than those of insurance enterprises and pension funds).
- (iv) Exports and imports of computer software which is embedded in hardware or carried on other physical media are not included in *computer services* but under *merchandise*. Sales and purchases of software transmitted electronically as well as exports of certain software licences are recorded under *computer services*.
- (v) *Business services* covers receivables and payables for (a) *merchanting and other trade-related services*, (b) *operational leasing* and (c) *miscellaneous business services*.

*Merchanting* consists of the sales net of purchases by Irish merchants of foreign goods bought from and sold to non-residents without entering or leaving Ireland; it may also include sales less purchases of services associated with the installation, maintenance, repair, etc. of these goods. *Other trade-related services* consist of commissions earned by resident agents or paid to non-resident agents in connection with imports or exports. *Operational leasing* covers rental receivables and payables in respect of leasing (other than financial leasing) and chartering, without operators, of aircraft, ships and other transport or other equipment and plant. *Miscellaneous business services* covers legal, accounting, management consulting, public relations, advertising and marketing, research and development and other professional and technical services as well as agricultural services. It also covers inter-affiliate management fees.

- (vi) *Other services not elsewhere specified* covers construction services, personal and cultural services (e.g. fees and royalties for film, television and musical recordings and performances), educational services and government services. The last sub-category includes credit and debit entries for (a) the estimated expenditures of embassy and consular staff in the host countries, (b) non-labour expenditures by governments towards the provision of embassy and consular services in the host countries, and (c) receipts i.e. credits, in respect of collection of Ireland's budgetary contributions to the EU).

**Income** covers (a) *compensation of employees*, which relates to the earnings of persons working outside their country of residence for less than one year (i.e. students and other short-term cross-border workers) and earnings of local staff working in embassies and consulates, and (b) *investment income*, which covers earnings arising from foreign investors' investments in Ireland and Irish investors' investment abroad. Investment income excludes realised and unrealised capital and exchange gains or losses. It is subdivided into three categories:

- (i) *Direct investment income* covers income accruing to an Irish or foreign direct investor from their ownership of (correspondingly) a direct investment enterprise located abroad or in



Ireland (see definition of *direct investment* in the *financial account* section below). It is split into income on equity and income on debt. *Direct investment income on equity* may be called the 'entrepreneurial income' of the enterprise which, in principle, is its net operating surplus plus investment income receivable less investment income payable. Apart from excluding capital and exchange gains and losses, it also excludes the value of unusual provisions and write-offs and is calculated net of corporation taxes. In company accounting terms, direct investment income on equity can be equated or approximated to an enterprise's consolidated profit (or loss) after interest, tax and minority interests and excluding capital and exchange gains (or losses) and other unusual provisions and write-offs. This income item is further subdivided into *dividends* and *distributed branch profits* and *reinvested earnings*. Dividends are recorded at the time they become due for payment while distributed branch profits are recorded when receipt or payment occurs. Amounts recorded under *reinvested earnings* represent the difference between the enterprise's entrepreneurial income earned in the reference period and the distributions (dividends, etc.) made in the same period. As it is an income flow in the BOP current account but without a counterpart cash flow in the financial account, an offset (i.e. with the opposite sign) of equal magnitude is recorded under *direct investment* in the latter. *Direct investment income on debt* covers income (mainly interest) on non-equity inter-affiliate assets and liabilities (mainly loans). This item also includes estimates of (a) the (net) income generated from investment by private individuals in residential and commercial property abroad, and (b) the profits attributable to the foreign owners of breeding bloodstock – see *Direct Investment* below.

- (ii) *Portfolio investment income* covers income receivable and payable to non-direct investors on their holdings of equity and long and short-term debt securities (see definition of *portfolio investment* below). Income on equity consists of dividends actually received/paid. Income on debt securities refers to coupon or interest payments on bonds and notes and interest on money market instruments. In principle, the income should be recorded on an accruals basis using market valuations. In practice, some respondents may report on a cash basis. Discounts and premiums (i.e. differences between the nominal value and the issue value) are treated as income or negative income respectively and spread (accrued) over the life of the instrument.
- (iii) *Other investment income* covers interest on loans, deposits and trade credits. The flows recorded under this item relate largely to interest flows of credit institutions but also cover the income generated from the holdings of the Central Bank and Financial Services Authority of Ireland in external reserve assets and income arising from its non-reserve assets and liabilities.

**Current transfers** covers unrequited receipts and payments. Important components are subsidies and other current transfers receivable from and taxes payable to the European Union, payments under Third World aid programmes operated by non-governmental organisations and transfers related to non-life insurance business. As regards the latter, for resident insurers the transfer credit is calculated as the gross insurance premiums earned (i.e. premiums earned plus supplementary premiums) less the insurance service charge; the debit is the amount of claims payable to non-resident policy holders adjusted by the change in the actuarial element of insurance technical reserves. For resident holders of policies issued by non-resident insurers, credits represent claims receivable and debits represent the insurance premiums less the estimated insurance service charge (see also the note above on 'insurance' item under 'services'). This item also includes income taxes receivable or payable on the earnings of cross-border workers.

The **current account balance** is the total of all current account credits less the total of all current account debits.

### Capital account

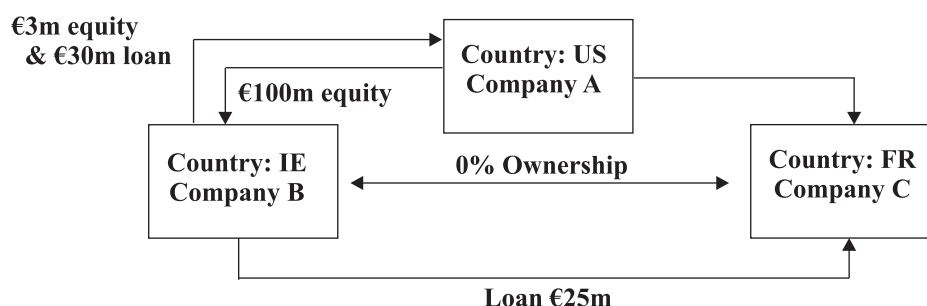
The capital account largely covers capital transfers, in particular amounts receivable under the EU Regional Development Fund and the Cohesion Fund and all other transfers intended for capital purposes. Estimates of migrants' transfers (i.e. the transfer of the net worth of immigrants and emigrants) are included but they are not well based. In addition, acquisitions and disposals of non-produced, non-financial assets (patents, copyrights, etc.) are also covered here. These transactions tend to occur infrequently but the amounts involved can vary substantially. Because of certain data limitations only the net flows are shown.

### Financial account

The financial account covers transactions in foreign financial assets (i.e. claims on non-residents) and foreign financial liabilities (i.e. obligations to non-residents). The four categories of functional investment which are distinguished (i.e. *direct investment*, *portfolio investment*, *other investment* and *reserve assets*) are based primarily on the relationship between the parties and secondly on the nature of the instrument involved.

**Direct investment** is a category of international investment that, based on an equity ownership of at least 10%, reflects a lasting interest by a resident in one economy (the direct investor) in an enterprise resident in another economy (the direct investment enterprise). Using this criterion, a direct investment relationship can exist between a number of affiliated enterprises whether the linkage involves a single chain or a number of chains. It can extend to a direct investment enterprise's subsidiaries, sub-subsidiaries and associates. Once the direct investment relationship is established, all subsequent financial flows between the related entities are recorded as direct

investment transactions, regardless of the type of financial instrument used in the financing arrangement (except for financial intermediary affiliates among which direct investment transactions are limited to those involving equity and permanent debt). The components of direct investment transactions are *equity capital*, *reinvested earnings*, and *other capital*. *Equity capital* comprises investment in branches, shares in subsidiaries and associates (except non-participating preferred shares that are treated as debt securities) and other capital contributions. *Reinvested earnings* consists of the off-setting entry to the corresponding current account income item: it is the direct investor's share of the undistributed earnings of its branches, subsidiaries and associates. *Other capital* covers all other inter-affiliate financial transactions (borrowing and lending of funds), including debt securities and suppliers' credits (i.e. trade credits). Following the recommendations of the IMF, ECB, Eurostat and OECD, direct investment flows are recorded on a 'directional basis' rather than the more usual assets/liabilities basis. *Direct investment abroad* covers *net* investment by parent companies resident in Ireland in their foreign branches, subsidiaries and associated companies. *Direct investment in Ireland* covers the *net* investment by foreign companies in their affiliates located in Ireland. The essential difference between the directional principle and the assets/liabilities approach centres on the treatment of reverse investment by a direct investment enterprise in its parent (direct investor) and on the treatment of transactions with other foreign affiliates covered by a direct investment relationship. In the Irish context, reverse *equity* investment in a parent enterprise is rare and tends to be relatively small. However, substantial flows (and positions) under the category *direct investment – other capital* can take place. These predominantly take the form of inter-affiliate loans but trade credits and transactions in financial securities between affiliates are also included. The treatment of reverse investment has to be considered under three scenarios. First, for *reverse equity investment for holdings of 10% or more of the voting capital*, such transactions are regarded as separate direct investment in their own right for both the equity and non-equity involved. Second, for *reverse equity investment for holdings of less than 10% of the voting capital*, the transactions involved, whether in equity or non-equity instruments, are regarded as offsetting (or netted against) any existing direct investment by the parent in the enterprise. For example, if a US direct investor A invests €100m in a direct investment enterprise B located in Ireland and B acquires a small reverse equity investment of €3m in its parent (A) then the value of *direct investment in Ireland-equity* is €97m (i.e. €100m less €3m). Extending this example, if B advances a €30m loan to parent, A, *direct investment in Ireland-other capital* is €30m lower. Overall *direct investment in Ireland* from A to B is therefore €67m (i.e. €100m - €3m - €30m). The third scenario concerns a *non-equity transaction between enterprises related other than through equity ownership* (e.g. between 'sister' or 'cousin' companies). Given a number of considerations, there is some flexibility in the international standards regarding the treatment of this situation. In Ireland's case and in order to ensure that all inward and outward flows (and stocks) arising from an initial inward direct investment are retained within the direct investment in Ireland category, the same principle as for reverse equity or non-equity investment with a parent company is applied. The transaction referred to is therefore treated as offsetting any existing *other capital* investment. Again extending the earlier example, if resident direct investment enterprise, B, advances a loan of €25m to a sister company, C, located in France, *direct investment in Ireland – other capital* is lowered by €25m and overall *direct investment in Ireland* from A to B amounts to €42m (i.e. €100m - €3m - €30m - €25m) – see diagram below. Cases occur on an ongoing basis where the outward investment flows or positions of B (or other sister direct investment enterprises located in Ireland) exceed the amounts attributable to A under *direct investment in Ireland*. The equivalent treatment is applied for similar situations categorised under *direct investment abroad*.



The compilation system for direct investment also includes investment by Irish private residents (households) in residential and commercial property abroad. Such properties are regarded as constituting notional direct investment enterprises overseas and are treated accordingly in the system, both in terms of any relevant financial account investment flows and any current account flows (services or income). In addition, foreign investment in bloodstock breeding activities in Ireland as well as associated income flows are now reflected in the BOP statistics.

**Portfolio investment** covers the acquisition and disposal of equity and debt securities which cannot be classified under direct investment or reserve assets transactions. The securities involved are traded (or tradable) in organised and other financial markets. *Debt securities* cover *bonds and notes*, which have an original maturity term of more than one year, and *money market instruments* with original maturity of one year or less. Investment by private resident investors in commercial property abroad which was formerly included in portfolio investment is now included instead under direct investment. Transactions are valued at market value inclusive of accrued income.

**Other investment** covers assets and liabilities other than those classifiable to direct investment, portfolio investment or reserve assets. It comprises loans, currency and deposits, short and long-term trade credits, financial derivatives and other accounts receivable and payable. Derivatives cover over-the-counter (OTC) and exchange-traded contracts and include options, futures, swaps, forwards, etc. For BOP purposes, all receipts and payments connected to financial derivative contracts (other than the values of transactions in the underlying commodities or financial instruments) are recorded in the financial account<sup>1</sup> i.e. there are no entries in the current account other than related fees and service charges (not always identifiable). In principle, other investment transactions are valued at market valuation inclusive of accrued income. For loans, book values are accepted as a proxy for market values.

**Reserve assets** at national level in the context of EMU have been defined by the European Central Bank from 1 January 1999, the date of introduction of the euro currency, as: (a) qualifying assets which are under the effective control of the national monetary authority (i.e. the Central Bank and Financial Services Authority of Ireland), and (b) consisting of highly liquid, marketable and credit-worthy foreign (non-euro) currency denominated claims on non euro-area residents together with gold, special drawing rights (SDRs) and the reserve position in the IMF.

Up to 31 December 1998, together with gold, SDRs and the reserve position in the IMF, the definition covered all foreign currency (non-Irish Pound) denominated claims on non-residents of Ireland. Therefore, all claims on euro-area residents as well as euro-denominated claims on non euro-area residents, which prior to 1999 would have been classified as reserve assets, are from 1999 onwards classified to *portfolio investment* or *other investment* as appropriate.

<sup>1</sup>The inclusion of these receipts and payments in the financial account reflects the amended recommendations on the treatment of financial derivative transactions as described in the IMF's *Financial Derivatives: A Supplement to the 5<sup>th</sup> Edition (1993) of the Balance of Payments Manual* published in 2000.